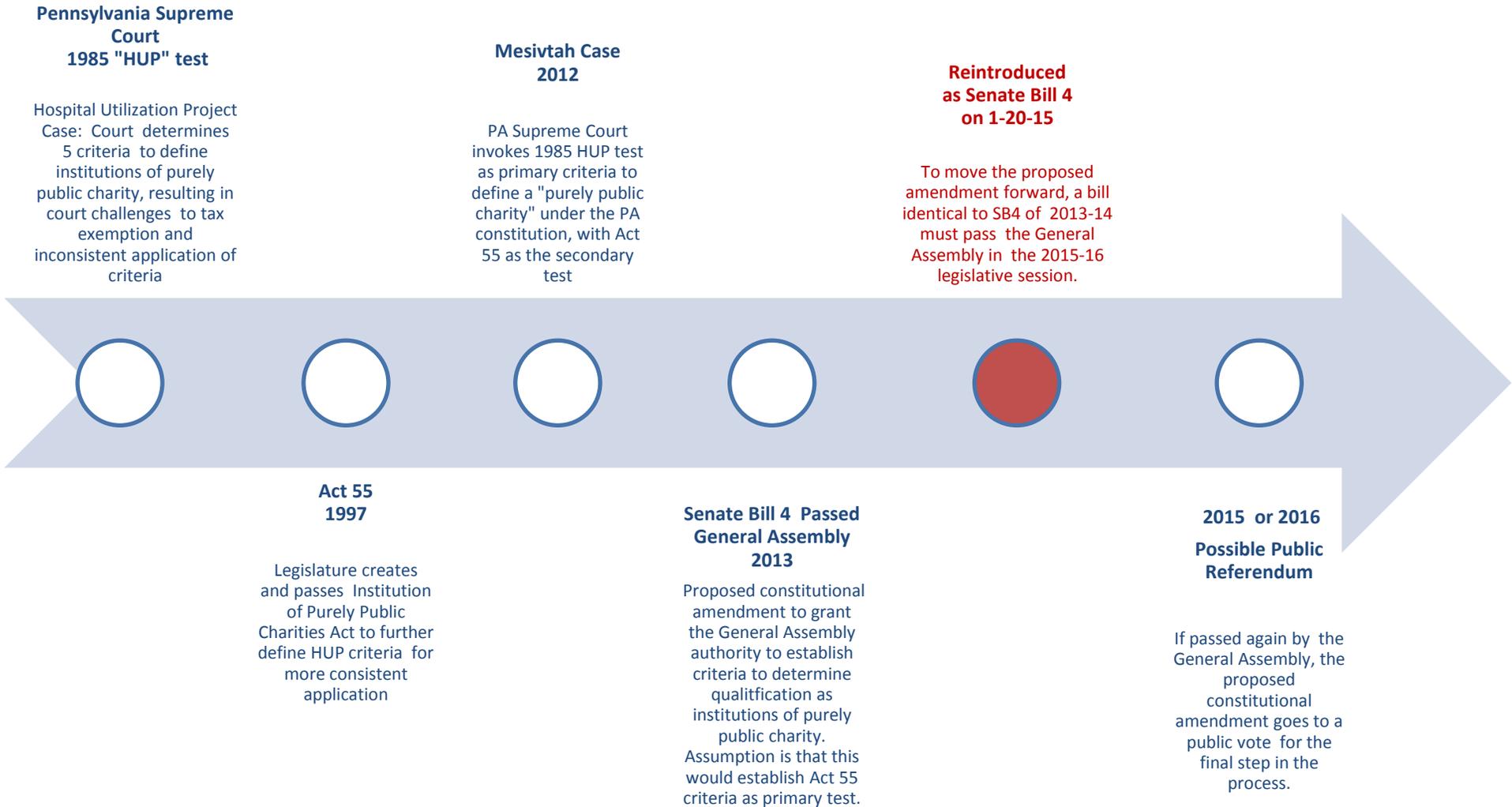


PA's charitable tax exemption: Where are we and how did we get here?



Language of Proposed Amendment to Article VIII, Section 2 of the PA Constitution from Senate Bill 4:

2(b) The General Assembly may, by law: * * *(vii) Establish uniform standards and qualifications which shall be the criteria to determine qualification as institutions of purely public charity under clause (v) of subsection (a) of this section. *Note: For context, see PA Constitution sections 2(a) and 2(b) on page 2.*

CURRENTLY IN THE PA CONSTITUTION:

Section 2 (a) (v) is the existing item in the Constitution stating that the General Assembly may exempt purely public charities from taxation. In the 2012 Mesivtah case, the PA Supreme Court ruled that this does not give the General Assembly the authority to DEFINE the criteria for purely public charities.

2 (a) The General Assembly may by law exempt from taxation:

- (i) Actual places of regularly stated religious worship;
- (ii) Actual places of burial, when used or held by a person or organization deriving no private or corporate profit therefrom and no substantial part of whose activity consists of selling personal property in connection therewith;
- (iii) That portion of public property which is actually and regularly used for public purposes;
- (iv) That portion of the property owned and occupied by any branch, post or camp of honorably discharged servicemen or servicewomen which is actually and regularly used for benevolent, charitable or patriotic purposes; and

(v) Institutions of purely public charity, but in the case of any real property tax exemptions only that portion of real property of such institution which is actually and regularly used for the purposes of the institution.

IF THE AMENDMENT PASSES:

Section 2 (b) (vii) is the proposed amendment to designate the General Assembly as the constitutional authority to be able to DEFINE the criteria for purely public charities.

2 (b) The General Assembly may, by law:

- (i) Establish standards and qualifications for private forest reserves, agricultural reserves, and land actively devoted to agricultural use, and make special provision for the taxation thereof;
- (ii) Establish as a class or classes of subjects of taxation the property or privileges of persons who, because of age, disability, infirmity or poverty are determined to be in need of tax exemption or of special tax provisions, and for any such class or classes, uniform standards and qualifications. The Commonwealth, or any other taxing authority, may adopt or employ such class or classes and standards and qualifications, and except as herein provided may impose taxes, grant exemptions, or make special tax provisions in accordance therewith. No exemption or special provision shall be made under this clause with respect to taxes upon the sale or use of personal property, and no exemption from any tax upon real property shall be granted by the General Assembly under this clause unless the General Assembly shall provide for the reimbursement of local taxing authorities by or through the Commonwealth for revenue losses occasioned by such exemption;
- (iii) Establish standards and qualifications by which local taxing authorities may make uniform special tax provisions applicable to a taxpayer for a limited period of time to encourage improvement of deteriorating property or areas by an individual, association or corporation, or to encourage industrial development by a non-profit corporation; and
- (iv) Make special tax provisions on any increase in value of real estate resulting from residential construction. Such special tax provisions shall be applicable for a period not to exceed two years.
- (v) Establish standards and qualifications by which local taxing authorities in counties of the first and second class may make uniform special real property tax provisions applicable to taxpayers who are longtime owner-occupants as shall be defined by the General Assembly of residences in areas where real property values have risen markedly as a consequence of the refurbishing or renovating of other deteriorating residences or the construction of new residences.
- (vi) Authorize local taxing authorities to exclude from taxation an amount based on the assessed value of homestead property. The exclusions authorized by this clause shall not exceed one-half of the median assessed value of all homestead property within a local taxing jurisdiction. A local taxing authority may not increase the millage rate of its tax on real property to pay for these exclusions.

This is where the proposed amendment would be added, were it to pass:

(vii) Establish uniform standards and qualifications which shall be the criteria to determine qualification as institutions of purely public charity under clause (v) of subsection (a) of this section.